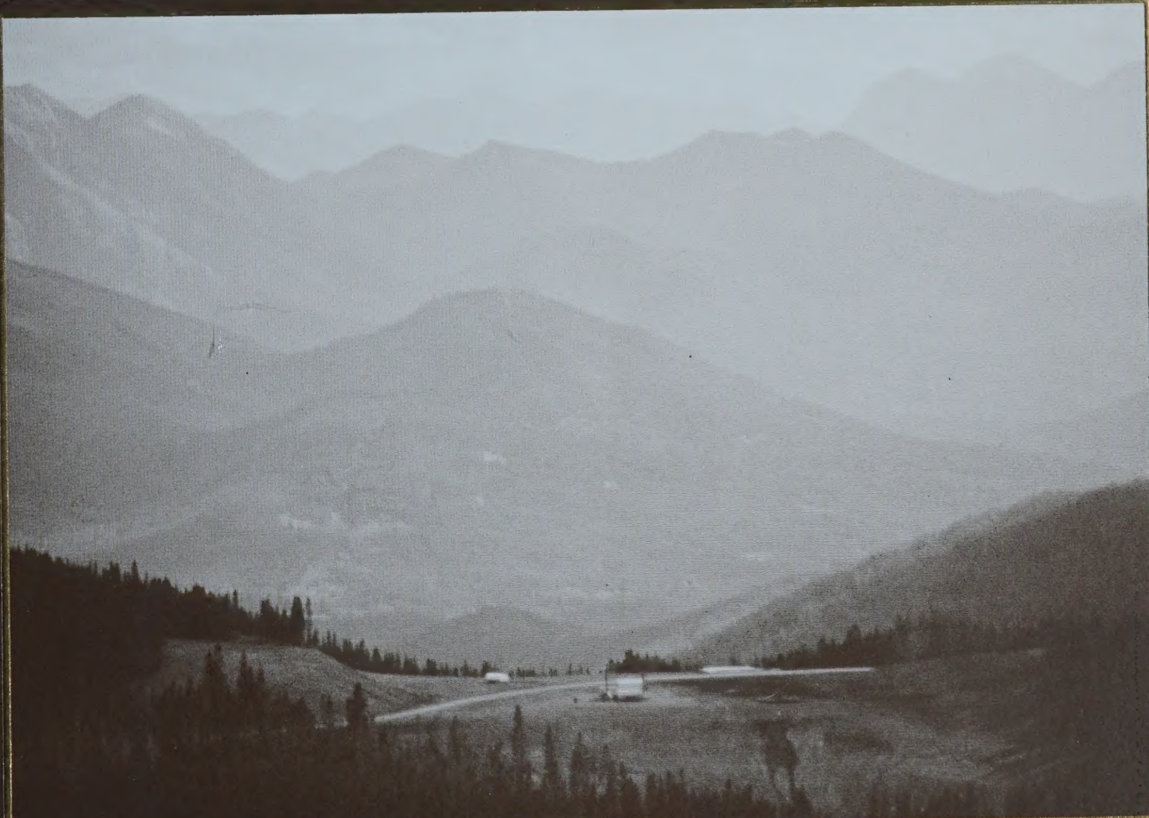
COSEKA

RESOURCES LIMITED



1979

REPORT

COSEKA

Report to the Shareholders:

During the past year, the Company has pursued the policy of asset and cash flow growth outlined in last year's Annual Report. The Company has continued to add selectively to its land position, increasing its [illegible] lease by a further 16 percent over the 80 percent increase reported last year. Cash flow increased by 27 percent (from $8,144,000 to $7,[illegible],000), resulting from a [illegible] percent increase in Canada and a 68 percent increase in the United States in net oil and gas revenues.

[illegible] the Company is reporting reserve evaluations. It is the opinion of the Company's [illegible] that this information should be reported because of the importance of reserves of oil and gas in [illegible] of declining North American reserves. As a result of evaluations initiated by Bristol Limited in the [illegible], the Company's larger oil and gas reserves, comprising 75 percent of the total reserves, were [illegible] by independent petroleum engineers, and the balance by the Company's engineers. [illegible] Company owns proved plus probable net working interest reserves, as of the [illegible] date, of 382.3 Bcf of natural gas and 3.34 million barrels of oil and condensates. Using a 15 percent discounted present worth factor and an estimated future tax liability, deducting debt and [illegible], management calculated a net value per share after tax of $14.54. At fiscal year end these reserves are estimated to be 404.2 Bcf of gas and 4.02 million barrels of oil and condensates.

[illegible] gas reserves, the 404.2 Bcf is an increase over internal reserve evaluations for the previous fiscal year end of [illegible] Bcf, or 11 percent, and in oil and condensates a 20 percent increase. Because of [illegible] subsequent increases in reserves and other corporate developments, such as an approximate $1,000,000 increase in the share value of a subsidiary, Wharf Resources Ltd., it can be concluded reasonably that today the net asset value of the Company is significantly higher than the above determination.

Regardless of assets, the future of an oil and gas exploration and production company is as bright as the people who staff it. The technical competence of the engineers, geologists and geophysicists, the skills of the landmen and administrative personnel, and the leadership and judgmental capability of its management, will determine its future.

The Company has reached its present level of development through the efforts of a small, capable group of people. To launch it on a course of further growth and development, it has been necessary during the past year to expand its human resource base, resulting in a doubling of staff to a total of 39 people divided almost equally between the Canadian and U.S. offices. The Denver U.S. head office [illegible] office

Report to the Shareholders:

During the past year, the Company has pursued the policy of asset and cash flow growth outlined in last year's Annual Report. The Company has continued to add selectively to its land position, increasing net acreage under lease by a further 16 percent over the 60 percent increase reported last year. Cash flow increased by 27 percent (from $6,144,000 to $7,822,000), resulting from a 22 percent increase in Canada, and a 66 percent increase in the United States, in net oil and gas revenues.

For the first time, the Company is reporting reserve evaluations. It is the opinion of the Company's Directors that this information should be reported because of the importance of reserves of oil and gas in an age of declining North American reserves. As a result of evaluations initiated by Brinco Limited in the spring of 1979, the Company's larger oil and gas reserves, comprising 75 percent of the total reserves, were evaluated by independent petroleum engineers, and the balance by the Company's engineers. These studies show the Company owns proved plus probable net working interest reserves, as of the evaluation date, of 382.9 Bcf of natural gas and 2.34 million barrels of oil and condensates. Using a 15 percent discounted present worth factor and an estimated future tax liability, deducting debt and expenses, management calculated a net value per share after tax of $14.54. At fiscal year end, these reserves are estimated to be 404.2 Bcf of gas and 4.02 million barrels of oil and condensates.

In gas reserves, the 404.2 Bcf is an increase over internal reserve evaluations for the previous fiscal year end of 40 Bcf, or 11 percent, and in oil and condensates a 26 percent increase. Because of these subsequent increases in reserves and other corporate developments, such as an approximate $5,000,000 increase in the share value of a subsidiary, Wharf Resources Ltd., it can be concluded reasonably that today the net asset value of the Company is significantly higher than the above determination.

Regardless of assets, the future of an oil and gas exploration and production company is as bright as the people who staff it. The technical competence of the engineers, geologists and geophysicists, the skills of the landmen and administrative personnel, and the leadership and judgmental capability of its management, will determine its future.

The Company has reached its present level of development through the efforts of a small, capable group of people. To launch it on a course of further growth and development, it has been necessary during the past year to expand its human resource base, resulting in a doubling of staff to a total of 58 people, divided almost equally between the Canadian and U.S. offices. The Denver U.S. head office and field office

expansion is directly related to the exploitation of the Douglas Arch property in Colorado and Utah. Details of the Douglas Arch program and new developments in techniques and price are provided in the Operations Review.

Cash flow is expected to increase at a considerably higher rate in the next fiscal year and earnings should increase, if not proportionately, substantially, over the current fiscal year. Meanwhile, the Company's working capital position of approximately $16,700,000 at the end of the current fiscal year places it in an excellent position to accelerate its oil and gas exploration and development plans.

During the next fiscal year, the Company expects its cash flow to be positively affected by numerous other developments, all of which are difficult to measure quantitatively. The gas "bubble", or oversupply in both Canada and the U.S. should ease as exports from Canada increase and U.S. industry returns to the use of natural gas, from which it was forced away by regulation a few years ago. Gas prices for sales from Company properties in both the U.S. and Canada will increase. Significant new gas sales from the Douglas Arch properties will commence, and four new oil discoveries made by the Company during the latter part of the fiscal year should contribute to additional cash flow.

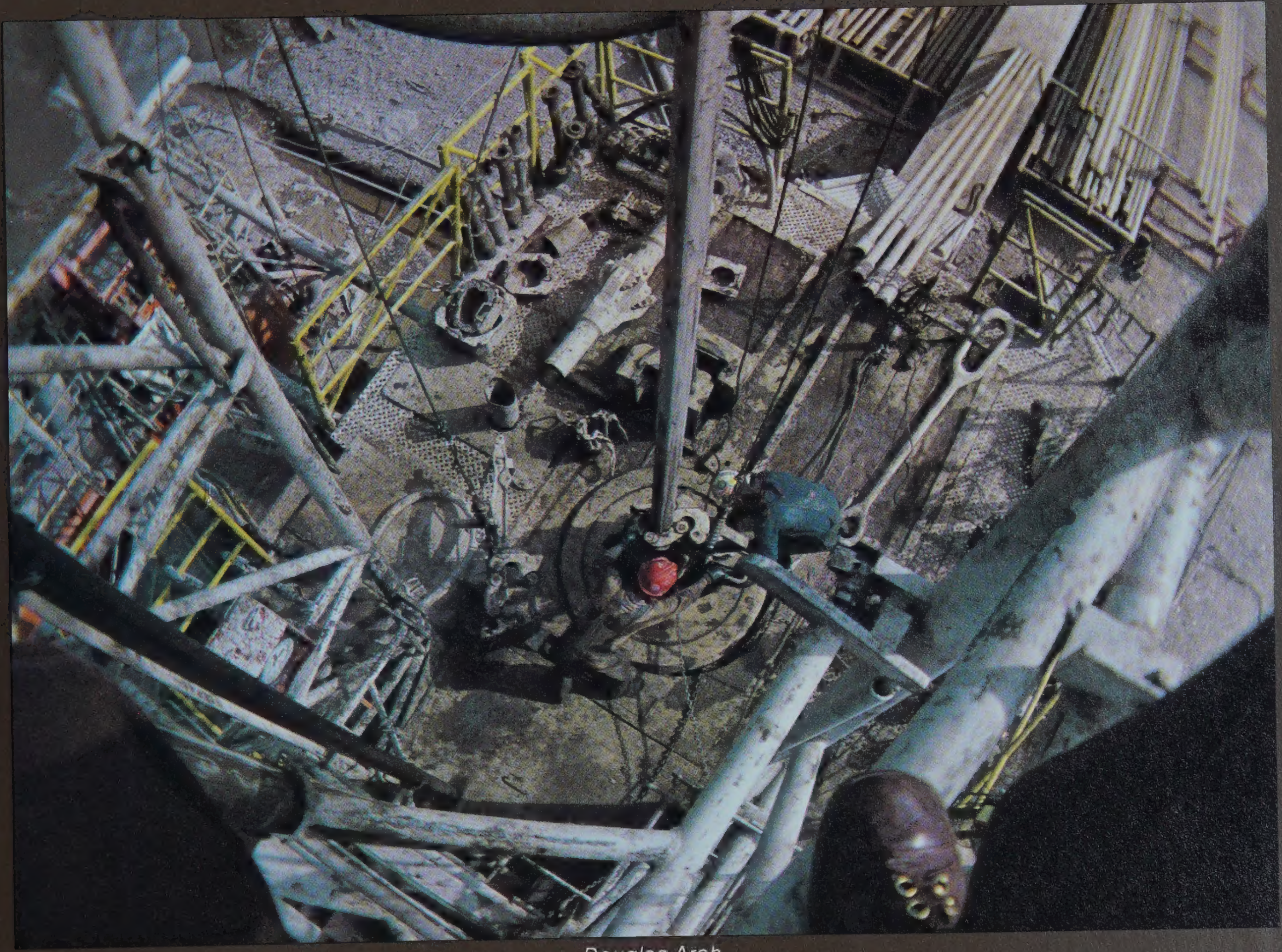
It is management's opinion that there are still great opportunities in North America for the discovery and development of large quantities of hydrocarbon reserves, and that oil and gas reserves will continue to rise in value. The Company's objective is to benefit from this potential by continuing to add to the Company's oil and gas reserves through vigorous exploration and acquisitions. Vast sums are required to truly compete in this endeavour and to gain exposure to the possibility of large discoveries resulting from exploration. To help give the Company the financial capability to gain greater exposure, negotiations are being conducted to obtain outside funds to participate with the Company, particularly in the highly competitive market of lease acquisitions.

Management believes the Company's expanded staff, its reserves and cash flow, its strengthened land holdings, its sound working capital position, and its large development potential, equip it for a new era of growth in the industry most important to North America's future — energy.

In closing, the Directors would like to express their appreciation for the efforts of the small nucleus of employees who have helped build up the present strong Company base, and welcome to its organization all the new faces who we trust will be an integral part of attaining new heights in the Company's fortunes.

On behalf of the Board of Directors,

President and Chief Executive Officer



Douglas Arch

Financial and Operating Highlights

Financial ($000's)	1979	1978	1977	1976	1975
Gross Sales	15,795	12,665	10,407	5,979	1,915
Cash Flow from Operations	7,822	6,144	5,937	3,392	1,231
*Per Common Share ¢ (Basic)	77.2	65.8	81.2	54.2	20.3
Net Income	3,620	3,489	3,562	2,053	628
*Per Common Share ¢ (Basic)	35.7	37.4	48.7	32.8	17.4
Working Capital	16,676	6,505	(125)	(2,415)	80
Exploration, Development and Other Capital Expenditures	18,332	14,816	11,781	4,882	4,692
Drilling Funds Expenditures	8,124	20,512	7,840	1,626	1,553
Total Assets	99,171	74,119	36,870	20,535	15,401
Per Common Share $	9.77	7.33	4.88	3.15	2.50
Long-Term Debt	42,923	26,952	12,433	8,404	7,446
Shareholders' Equity	36,100	32,296	14,919	8,529	6,464
Per Common Share $	3.56	3.19	1.97	1.31	1.05
Shares Outstanding M's	10,150	10,101	7,555	6,516	6,160
Operations					
Gas Production (Before Royalty)					
Canada — MMcf	8,534	8,008	7,768	6,386	3,357
U.S.A. — MMcf	961	698	647	27	—
Total — MMcf	9,495	8,706	8,415	6,413	3,357
Total — MMcf per Day	26.0	23.9	23.1	17.6	9.2
Oil and Condensate Production (Before Royalty)					
Canada — Thousand Bbls	65.6	59.5	64.8	73.6	62.9
U.S.A. — Thousand Bbls	57.6	54.5	16.3	1.0	2.0
Total — Thousand Bbls	123.2	114.0	81.1	74.6	64.9
Total — Bbls per Day	338	312	222	204	178
Sulphur Production (Before Royalty)					
Canada — Long Tons	18,669	18,934	27,818	23,409	3,948
Land Holding — Net Acres	349,630	302,300	193,065	116,258	111,346

*Basic-weighted average of shares issued during fiscal year (1979) 10,134,809 common shares, (1978) 9,336,755 common shares.

Operations Review

Canada

Development Program

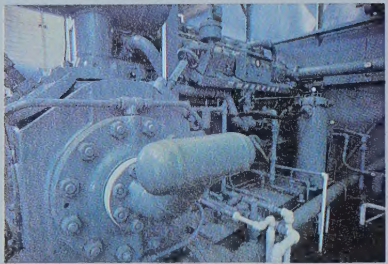
Tilley-Bantry

The 104,000 acre Tilley-Bantry Unit, in which the Company has a 10 percent working interest, has recently been re-evaluated with respect to both deliverability and economic potential. To date, the property has 404 wells which have been completed as single, dual and/or triple zone producers. Cumulative gas reserves of approximately 62 BCF have been produced out of a conservative total field original recoverable reserve assignment of 269 BCF proved and an additional 188 BCF probable. An expanded gas contract has been assigned to the property increasing it from 40 MMCFPD to 45 MMCFPD. In an attempt to meet the new maximum day contract volume, the operator has scheduled an aggressive expansion program which will include the installation of a third compressor and dehydration site, which will provide an additional 5 MMCFPD required capacity and 12 MMCFPD stand-by capacity. Ninety-two new infill wells have been drilled as multi-zone producers. An expanded gathering system will be installed to tie the new station in with the Tilley main station and also remove flow line restrictions and bottlenecks which exist in the Tilley main system.

Medicine Hat Properties

In the Schuler area of the Company's Medicine Hat properties in southeastern Alberta, the Company has an average working interest of 54 percent in 48,800 gross acres of shallow gas reserves. Four separate producing units have gradually been developed over the last five years with the drilling and completing of a total of 211 single and/or dual zone wells as of July 1979. Properties # 1, # 2 and # 4 are tied into one Central Plant which is operated by the Company. Property # 3 has a separate Plant and is operated by another operator. In an attempt to maximize the gas contracts now assigned to the four properties, 34 new wells have been drilled and will be placed on stream by the new gas contract year commencing November 1, 1979. Completion practices on the new wells have included an evaluation of the potential of the Second White Specks zone, the Medicine Hat sub zones and isolated sand stringers in the upper Milk River zone. Preliminary test results on those new completions are very encouraging. If sustained gas production is achieved, additional new reserves and deliverability can be developed on an expanded scale over each of the properties to maintain the favorable gas contract conditions that now prevail. Also an evaluation is now being carried out on an 80 acre infill drilling. Similar projects in southern Alberta have proven to be justifiable. It is anticipated that further infill drilling programs will be available for each of the Medicine Hat properties and will help to maintain maximum deliverability.

As a continuing policy to develop and maximize cash flow from shallow gas reservoirs, the Company has acquired working interests varying from 30 percent to 64 percent in seven blocks of land which are offsetting the Company's existing operations in the Schuler area. The properties include 30 producing wells which are located on 8,480 acres of land. The Company, who is Operator of the properties, has drilled and completed eight new wells which will be used to maximize the gas contract position over the next operating year.



Medicine Hat

Hatton Properties

In the Hatton area of southwest Saskatchewan, the Company has an average 26.7 percent working interest in 105,600 gross acres. The property is partially developed with two operating projects. Project #1 has an 8.5 MMCFPD contract which is serviced by nine Milk River zone wells and nine dual Milk River/Medicine Hat zone wells. Four additional wells are now being drilled, to be completed and tied-in to the Central Plant to maintain maximum contract commitments. An expanded gathering system is also programmed, which will diversify the operation and provide a better drainage of the reserves. An evaluation well was also drilled on the eastern edge of the property. On completion, the Milk River zone was found to have good deliverability capabilities, thus assuring that the large land position and assigned reserves can be efficiently and economically developed in the future.

Project #2 will have an increase in its gas contract effective November 1, 1979 to a maximum level of 8.0 MMCFPD. The project is currently serviced by four Milk River zone wells and seven dual Milk River/Medicine Hat zone wells. Additional wells and/or new zones are now being completed and tied-in to the Central Plant and will provide increased and back-up deliverability to maintain the current contract commitments.

Natural Gas, Crude Oil & Natural Gas Liquids
(Before Deducting Royalties)

	1979	1978	% Increase
Natural Gas - Mcf per Day			
CANADA			
Alberta	16,611	15,208	9
British Columbia	3,758	3,259	15
Saskatchewan	3,012	3,474	(13)
	23,381	21,941	7
U.S.A.	2,751	1,912	44
Total	26,132	23,853	10
Crude Oil & Natural Gas Liquids — Bbls per Day			
CANADA			
Alberta	180	163	10
U.S.A.	158	149	6
Total	338	312	8
AVERAGE PRICES RECEIVED			
Natural Gas - $ per Mcf			
CANADA			
Alberta	1.56	1.47	6
British Columbia	1.05	0.98	7
Saskatchewan	0.40	0.40	—
U.S.A.	2.21	1.68	32
Crude Oil & Natural Gas Liquids - $ per Barrel			
CANADA	10.96	10.94	0.2
U.S.A.	12.49	11.35	10

Based on the current level of proved and probable gas reserves as established by an independent consulting firm, the gas sales potential of these two projects, on a normal industry daily contract volume to reserves ratio, have only been exploited to the extent of approximately 50 percent. Considerable future growth in sales volume is possible as soon as market conditions in Saskatchewan permit.

Little Bow Project

In the Little Bow area of southern Alberta, the Company has increased its land position to 8,640 gross acres.

Exploration and Development Results

	1979		1978	
	Gross	Net	Gross	Net
CANADA				
Gas	112	36.882646	81	22.516463
Oil	5	2.059300	5	0.697400
Dry	14	3.654190	8	1.171120
Sub total	131	42.596136	94	24.384983
U.S.A.				
Gas	28	4.213825	45*	6.894901*
Oil	7	1.740930	19	6.015605
Dry	10	1.339700	22	4.472325
Sub total	45	7.294455	86	17.382831
TOTAL	176	49.890591	180	41.767814

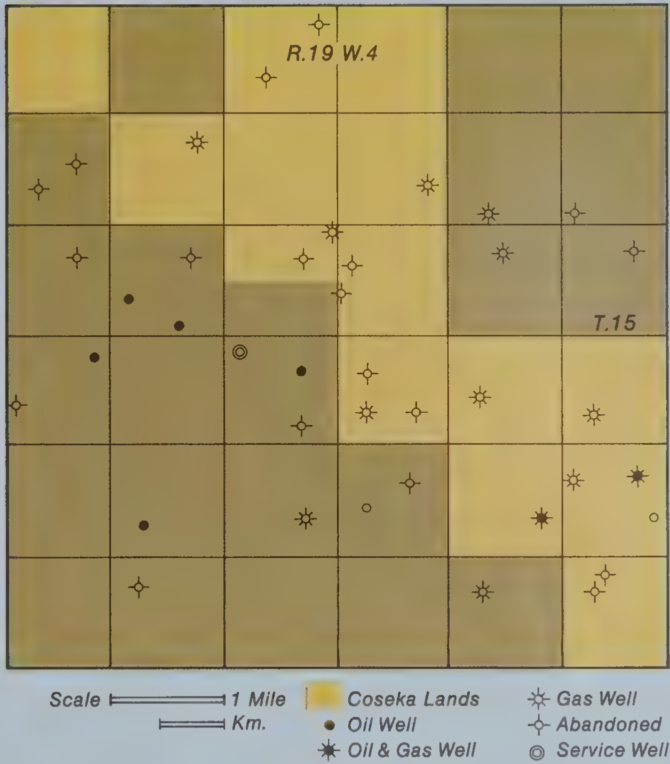
*Of this total 11 gross and 1.56 net drilled by Taiga Energy Inc. prior to its take-over by the Company.

An active drilling program has been carried out during the past year with the drilling of eight new wells, bringing the total drilled to date to ten wells. Of the ten wells, two encountered only marginal shows of hydrocarbons and were abandoned. The other eight wells have been cased and are classified as either gas and/or oil wells capable of producing from one or more of five prolific reservoirs which are commercially productive in the area.

The ten-well program, which has been selectively located over the Little Bow lands, has provided the Company with the technical data required to isolate the elusive Glauconite oil channel which has been postulated to exist in the area. The perseverance of the program finally paid off when the 10-12-15-19 well encountered the oil column of the channel sand. The well has been completed and placed on continuous production as an excellent flowing oil well.

It is anticipated that a continuous drilling program will be carried out to further delineate both the oil and gas reservoirs. An associated company in the Little Bow project has a blanket gas contract which covers the majority of the joint lands. Plans are now in the initial stages for the construction of a plant and it is anticipated that the gas reserves will be placed on stream sometime next year.

Little Bow



Redwater Project

In the Redwater area of central Alberta, the Company acquired a 25 percent interest in a 3,680 acre property which contained six productive Viking zone gas and/or oil wells. The location of the six wells on the lands delineated a

possible blanket Viking sand trend which includes three separate reservoirs that have tested commercial oil and gas reserves. The property has a 2 MMCFPD gas contract which has been serviced by several wells. A change in the operatorship has resulted in a program designed to maximize the cash flow potential of the property. A Central Plant has been installed to treat and compress the gas. Three infill wells have been drilled and are being tied into the Plant by an expanded gathering system. The last well encountered the oil column in the third Viking sand and following completion established flowing productivity in excess of 100 barrels of oil per day. The Gas Plant is in service and the contract rates will be maximized this fall. A number of additional undrilled locations still exist and should provide additional oil and gas productivity. A rig has been contracted and drilling will be carried out during the latter part of 1979.

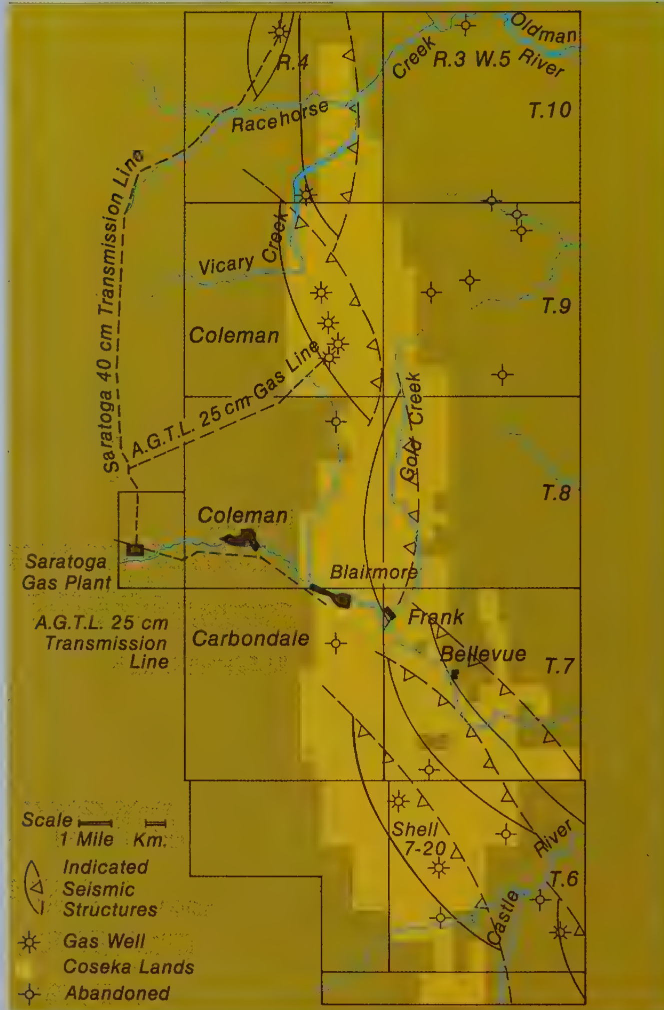
Swalwell Property

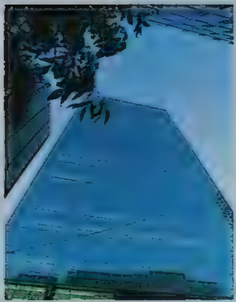
In the Swalwell area of central Alberta, the Company participated in the drilling of a follow-up well on the 960 acre Swalwell property. The well encountered a thick Basal Belly River section which has been proven to be gas bearing in the area. The Shunda and Pekisko zones were also found to be porous and oil bearing. On completion in the lower Pekisko zone, the well established high oil productive capabilities.

Bruce-Holden Property

In the Bruce-Holden area of central Alberta, the Company increased its working interest to approximately 21 percent on the 21,920 acre land block. A number of additional infill wells have been scheduled for the area under a new drilling program. To date, four wells have been drilled with all four failing to establish commercial deliverability and have been abandoned. The operator of the property has indicated that a gas gathering system will be extended into the area and three of the shut-in gas wells will be placed on stream by the end of the year.

Coleman - Carbondale





New Home

Canada

Exploration Program

Foothills Area, Alberta (North Coleman and Carbondale)

In the Foothills area of Alberta, the Company has maintained its strong position in the North Coleman and Carbondale properties. Producing characteristics from the North Coleman field continue to substantiate that both the Mississippian and Devonian have an extensive drainage area. A seismic program has been proposed for the property which will be designed to help provide a better delineation of the two reservoirs. Additional drilling will be carried out over the next two years to prove up additional reserves and deliverability. Negotiations have also been reactivated for the expansion of the Saratoga Processing Plant so that the existing gas contract of 25 MMCFPD can be increased to the new contract level of 40 MMCFPD.

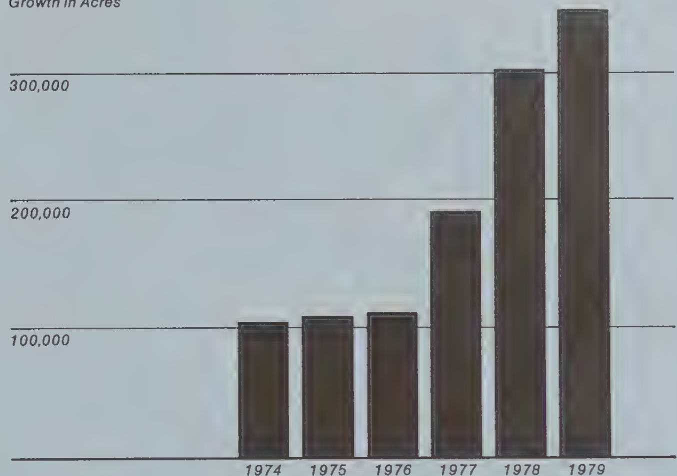
On the 52,614 acre Carbondale block of lands, which is located immediately to the south of the North Coleman field, Shell Canada Resources Limited was granted a farmout on 12 sections of land. A deep Devonian test has been drilled on the farmout land at the 7-20-6-3 W5M location. Log interpretations indicate that both the Mississippian and Devonian zones are hydrocarbon bearing. Currently completion operations are being carried out on the Devonian zone and indicate deliverability capabilities in excess of 10 MMCFPD at high flowing pressures. Based on the results of the 7-20 well, consideration is now being given to the drilling of an immediate follow-up well. Geophysical interpretations suggest that the Carbondale lands, in which the Company has a working interest varying from 8.8 to 12.4 percent, have the potential of establishing reserves with economic potential similar to what is now being realized from the North Coleman field.

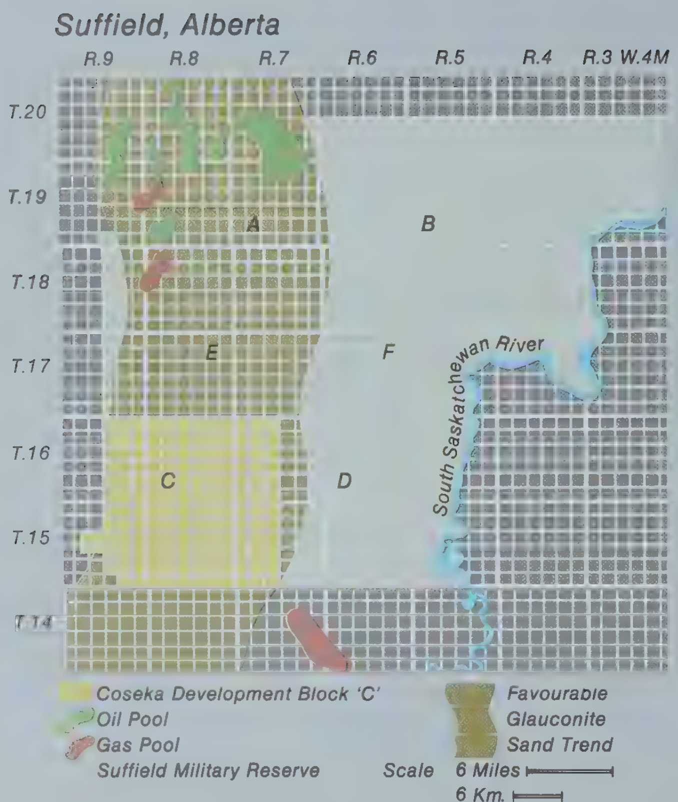
Central Alberta

In central Alberta, the Company has continued to increase its land position. Prospects have been delineated in the Gull Lake, Duhamel, Willesden Green, Wanham and Madden areas. The Duhamel and Gull Lake prospects have now been drilled. The Duhamel well was taken down as a Devonian test and found the reef to be structurally low and

Land Holdings (Net)

Growth in Acres





wet. The well was subsequently abandoned. On the Gull Lake prospect a well was taken down to evaluate the potential of the Lower Mannville sections. The lower zones were found to be tight or wet; however, up the hole, the Belly River zone was found to be hydrocarbon bearing and the well has been cased and classified as a shut-in gas well. The Willesden Green, Wanham and Madden prospects have been scheduled to be drilled later this fall.

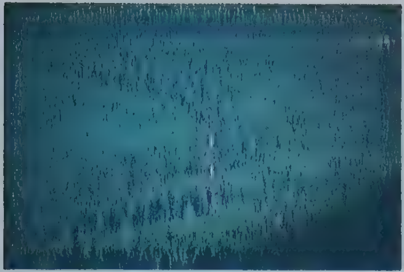
Medicine Hat

Southern Alberta

In southern Alberta, the Company has maintained an aggressive approach to acquiring a strong position in the favorable oil and gas producing areas. A number of prospects have been delineated and the Company has a rig committed for a continuous drilling program. Three new prospects, Eyremore, South Eyremore and Long Coulee have been drilled. The Eyremore and South Eyremore prospects failed to establish hydrocarbons and the wells were abandoned. The Long Coulee prospect was taken down with full incentive classification and established a good upper Mannville reservoir. The well was cased and, following completion operations, has been tested at flowing rates in excess of 200 barrels per day of 30 degrees gravity oil. A follow-up well has been programmed and will be drilled later this fall.

Southern Alberta — Suffield Military Reserve

In an attempt to strengthen the Company's exploration program in southern Alberta, a commitment was made to participate to the extent of 10 percent in a 67 well evaluation program on the 88,000 acre Block "C" of the Suffield Military Reserve. The program was initiated during the month of July 1979 when an extended seismic program was carried out. Four rigs have been contracted and continuous drilling operations will be initiated by mid-September 1979.



Coleman

British Columbia

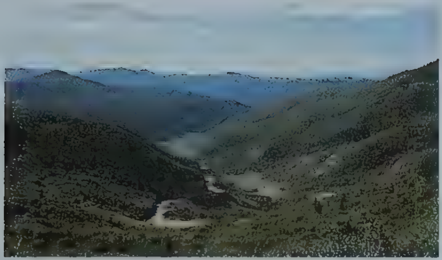
In British Columbia, the Company has scheduled four wells on land blocks located in the Red Creek, Dede, Birch and Gundy Creek areas. A rig has been contracted for late fall 1979 and a continuous drilling program will be carried out to evaluate each of the four properties.

Katah Creek

The Company has entered into an agreement with British Columbia Resources Investment Corporation on a 23,756 acre block of land located in the center of BCRIC's A-6 licence block. It is considered that this is one of the most advantageous exploration ventures by the Company in British Columbia due to the considerable amount of activity in the immediate area being conducted by several major companies who have themselves entered into similar agreements with BCRIC. The entire BCRIC A-6 licence block containing something just under one million acres has been committed in agreements such as the Company's to major oil companies who have extensive geophysical and drilling plans. The Company will conduct an extensive geophysical program to be carried out this winter.

Katah Creek - N.E. British Columbia

Douglas Arch



Douglas Arch

United States

In the United States, the Company has concentrated its recent activities in three areas: the Douglas Arch area of Colorado and Utah, the Cottonwood Creek area of Wyoming, and the Towner-Foster area of North Dakota.

Douglas Arch Area — Colorado and Utah

The Company is continuing to pursue an aggressive program of exploration, development and further acquisition of properties located in the Douglas Arch area of Colorado and Utah (See map).

A project of this magnitude requires continuous reevaluation as new data is obtained. The program to December 31, 1978 resulted in 34 wells drilled, of which 24 were Mancos tests and 10 were deeper Dakota tests. Successful completions were made in 23 Mancos wells and 5 Dakota wells for a Mancos success ratio of 97 percent and a Dakota success ratio of 50 percent. Of the 10 Dakota tests drilled, 8 tested apparent commercial flows but, using the completion techniques known at the time, 3 completions were unsuccessful. With application of the knowledge gained in the past year, we believe those three wells would have been commercial successes, bringing the Dakota success ratio to 80 percent. This, of course, tells only part of the story because cost, deliverability, reserves, price, and date of pipeline connection all enter into an economic analysis of the future cash flow and reserve value of the properties.

Management completed such an evaluation at the end of the 1978 program and reached the following conclusions:

> ... While the Mancos formation is capable of economic development generally throughout the lease position, the Dakota formation holds promise for larger cash flow generation in the near term.
>
> ... The economic analysis indicates that the Company should seek to increase its position in the area where geological analysis is positive and land acquisition possible within the confines of the Company's existing U.S. financing.
>
> ... Sufficient exploratory drilling now has been done to provide general geological analysis of the entire area and future drilling programs, except for obligation wells, should be confined to development in those parts of the Douglas Arch lease position where early pipeline connection and early cash flow can be forecast with some certainty.

As a consequence of this analysis, the following decisions were made:

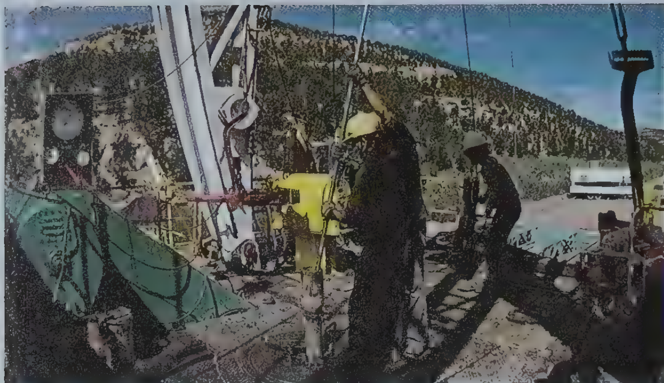
1. The main emphasis of the 1979 and future programs should be on Dakota formation targets, completing wells in the Mancos formation where those wells are unsuccessful in the Dakota.
2. Efforts should be made to add to the lease position to the maximum possible. As a result the Company has added by direct acquisition, or is earning by farm-in, an additional 138,908 gross acres or 36,828 net acres, bringing the Company's eventual interest in the area to a total of 351,709 gross acres or 75,259 net acres.
3. Development or step-out drilling where early pipeline connection is possible is to be emphasized.

Douglas Arch Area

The Douglas Arch 1979 program reflects these decisions. Of the 50 wells originally scheduled in the Company's 1979-80 fiscal year, 38 were scheduled as Dakota tests and 45 of the 50 were within reach of pipeline connection within six months to a year. As the program unfolds, it is apparent that for geological reasons the percentage of wells to be drilled to the Dakota will be greater than planned, although the total number of wells may be somewhat less than planned because of increased drilling time and cost in going to the deeper Dakota formation. Results of the 1979 program to the date of this report appear to strongly support the decisions made in its formulation. All of the 7 wells drilled and tested to date and of 18 currently testing, drilled or drilling, 6 have been completed in the Dakota formation, and one is being tested as an oil well in the Niobrara formation between the Mancos and Dakota. While further testing will be required to quantify the results accurately, it appears that these 6 wells (representing a 100 percent success ratio to date) will average in excess of 1,000,000 cubic feet per day each. Although a completed Dakota well costs approximately twice as much as one completed in the Mancos, its deliverability is three to five times that of a Mancos well and its potential cash flow and value generally will reflect these ratios.

Because gas wells require pipelines to produce and generate cash flow, the willingness of the pipeline companies to buy the gas and lay the pipelines is of fundamental importance to the developer. The Douglas Arch area is fortuitously located in this respect with Northwest Pipeline Company's main line from the San Juan basin to the south, traversing the area on its way to the Pacific Northwest and California. Northwest Pipeline Company is responsible for building the pipeline gathering system, supplying compression and all other costs associated with the gathering of the gas. Together with officials of Northwest, the Company's management planned the 1979 drilling program to enable the bulk of the wells to be drilled this year, and in future years to be placed on production in the year drilled, or at latest, during the following spring season. Pacific Gas Transmission, the Company's working interest partner in most of its Utah leases, has a call on gas produced from these leases. Under arrangements made earlier this year between Northwest and Pacific, Northwest was made responsible for the gathering of all gas throughout the area. This is a very positive development for the Company, enabling the Northwest organization to plan the gathering from the entire area, develop the infra structure necessary to do the work most effectively, and enable the Company's management to work closely with one organization in the development to production of the entire area.

Another occurrence of great importance to an economic analysis of the Company's Douglas Arch project is a likely forthcoming increase in the gas price. At the time of the passage of the Natural Gas Policy Act of 1978, the Federal Energy Regulatory Commission (FERC) was empowered to set "reasonable" incentive prices for natural gas "produced under such . . . conditions as the Commission determines to present extraordinary risks or costs". Under rules proposed on September 7, 1979, the Commission proposes definitions and guidelines of what is called a "tight formation". The Commission staff have preliminarily identified certain geological formations in the United States which may qualify under the guidelines. Among those listed in this category in the Federal Registry of September 7, 1979 are the Mancos and Dakota formations of the Douglas Creek Arch. Hearings in Washington and Denver are being held on September 24th and 27th, 1979, and it is expected that the regulations will be implemented shortly thereafter. At this time it is not known to what extent the Company's existing wells may benefit from these proposed price increases, but new wells certainly should qualify. If adopted as proposed, the regulations would have the effect of tying the "tight formation" gas price to the current price of "deregulated oil", the result of which is a recommendation to set the price at "150 percent of the Section 103 price ($2.079 per MMBTU x 150% = $3.1185)". This price, it is indicated, would then be tied to the U.S. escalation rate as is new gas under the present Section 103.



Douglas Arch

These changes in program, pricing and planning combined with new developments in the technologies of drilling and completing wells the Company has introduced or is researching, will provide new economic dimensions to the Douglas Arch program. Quantification of this into precise economic projections at this time is impossible, but some conclusions are possible. These are:

The Douglas Arch area will be a major contributor to future natural gas supplies obtained from the U.S. Rocky Mountain area. This conclusion is shared by a number of operators and pipeline companies.

The Company, as the largest leaseholder in the area, both on the crest and the flank of the Arch, and one of the main pioneer companies involved in its exploration and development stands to be a large beneficiary of this development.

With currently used technology, the Company is obtaining an economic success ratio unusually high by industry standards. The history of oil and gas drilling and completion technologies is a history of achievement. It is a fair judgment to assume that improved technology, much of which the Company is already applying in the area, will make a further contribution in the future to the already highly acceptable economic viability of the Douglas Arch.

It is the Company's plan to continue to put full effort into this program to maximize the cash flow and reserve values obtainable from the Douglas Arch for the Company's growth over many years into the future.

Cottonwood Creek Area — Wyoming

On the Cottonwood Creek property a continuous drilling program has been maintained during the past year. Eight additional locations have been drilled, bringing the total to 22 wells drilled on the project to date. Nineteen of the wells have been completed in the Phosphoria zone at a depth of 11,000 feet. Two locations were drilled as step-out evaluation wells which encountered only marginal porosity development in the Phosphoria zone and were abandoned. The most recent well has been completed in the Frontier zone at a depth of 7,900 feet. Following a stimulation fracture treatment, the well appears to be capable of producing 150 to 175 barrels per day of 50 degree gravity oil.

This completion is classified as new oil and is commanding a price of $28.00 per barrel. A number of additional option locations have still to be drilled. The existing rig will remain contracted and at the time of the writing of this report, the twenty-third well has reached total depth with core results indicating that the Phosphoria zone is well developed. Plans are still in the design stage for the construction of a central gas plant and gathering system; however, it is anticipated that the facilities will be in operation by summer of 1980.

Towner-Foster Area — North Dakota

The Towner-Foster prospect is comprised of 175,000 acres of land which is located in the Towner and Foster Counties of North Dakota. Over the past operating year an extensive seismic program has been completed on the

property. A number of encouraging geophysical anomalies have been delineated and the decision has been made to carry out a more extensive evaluation program. Several locations have been selected and a rig will be moved on to the property later this year.

Brazos Area — Texas

As a result of the recent determination by Bonanza Petroleum Ltd. of prolific oil production (500 BOPD) from the Austin Chalk formation from a well on adjacent lands, the Company plans to investigate the productivity of this zone in existing wells on its acreage. This zone is behind casing on each of the Company's Woodbine sand oil well completions. The Company also plans to drill two additional Woodbine oil tests which will be direct offsets to existing neighboring production.

Reserves:

The Company has not published its reserves of petroleum, sulphur and natural gas in past annual reports to shareholders because prior to this fiscal year the Company's reserve estimates were primarily internally estimated by the Company's engineers. Also, a significant portion of the Company's natural gas reserves comprise of the so-called shallow gas reserves or production from "tight" reservoirs, which do not lend themselves to reliable estimates until sufficient production history performance has been obtained. The bulk of these reserves now meet this criteria of sufficient production history.

Because of the different basis of evaluation, the accompanying table does not show the comparison to the reserves as of the previous fiscal year end. However, it should be pointed out that the current natural gas reserve estimates, 82.6 percent of which have been estimated by independent petroleum consultants, are 40 Bcf in total (after fiscal year 1979 production) higher than the reserves carried on the books of the Company as of fiscal year end 1978.

Total Remaining Working Interest Reserves

July 31, 1979	Natural Gas (Bcf)	Oil & Natural Gas Liquids (000 BBls.)	Sulphur (000 Long Tons)
Canada			
Proven	297.4	1,645.8	936.6
Probable	43.9	533.1	462.4
Total	341.3	2,178.9	1,399.0
U.S.A.			
Proven	38.4	1,435.1	—
Probable	24.5	404.3	—
Total	62.9	1,839.4	—
TOTAL	404.2	4,018.3	1,399.0

Analysis of Gross Income

	$000 1979	$000 1978	Change
CANADA (CANADIAN DOLLARS)			
Sales			
Oil and Natural Gas Liquids	719	651	10
Natural Gas	11,360	9,819	15
Sulphur	217	147	48
Gross Product Sales	12,296	10,617	16
Royalty Expense	2,819	2,890	(2)
Net Product Sales	9,477	7,727	23
Royalty Revenue	27	27	—
Net Oil and Gas Sales	9,504	7,754	22
U.S.A. (U.S. DOLLARS)			
Sales			
Oil and Natural Gas Liquids	720	619	16
Natural Gas	2,217	1,175	89
Sulphur	—	—	—
Gross Product Sales	2,937	1,794	64
Royalty Expense	857	539	59
Net Product Sales	2,080	1,255	66
Royalty Revenue	2	—	—
Net Oil and Gas Sales	2,082	1,255	66

Financial Review

Medicine Hat

Continued growth in sales, cash income and net income, indicates the trend in the financial results of the Company for the fiscal year ended July 31, 1979. Compared to the preceding fiscal period, sales income of $15,795,000 is up 24.7 percent, funds generated by operations or cash flow are up 27.3 percent or $1,678,000, and net income of $3,620,000 represents an increase of 3.7 percent.

New Canadian properties on production during the year resulting from acquisitions and new discoveries, along with increased production from the Douglas Arch areas of the States of Colorado and Utah, and certain price increases were the main contributors to sales growth and increased cash flow. It is expected that the upward trend in these financial results should continue into the next fiscal period.

Cash flow and net income results were achieved even though interest expense was increased by $844,000, representing the cost of an increase in the debt structure during the year.

Net income of 35.7¢ per share compared to 37.4¢ per share for the year ended July 31, 1978 was down 4.5 percent or 1.7¢ per share. This is the result of an increase in share capital of 1,362,000 common shares issued in February of 1978, for the acquisition of Taiga Resources Limited, and averaged in the total shares issued in the July 31, 1978 calculation of basic earnings per share versus the inclusion of those shares in total in the July 31, 1979 net earnings per share. The Company, during this period, has come close to eliminating this dilution of share capital, and with the anticipated earnings from the Douglas Arch area which was obtained in the Taiga Resources Limited purchase, should show an enhanced earnings picture in the coming fiscal year.

On November 15, 1978 the Company signed a very favourable arrangement with its Canadian banker in the form of a $24,000,000 (U.S.) income debenture covering a ten-year period bearing interest at one-half of the sum of the U.S. base rate plus 2 percent, with the first quarterly principal repayment commencing February 1, 1982. The debenture is secured by certain Canadian and U.S. oil and gas properties. These funds were used to liquidate $11,952,000 of U.S. bank debt with the balance being allocated to the development of the United States Douglas Arch properties with the unexpended amount being invested from time to time in short term bank deposits.

The Company's bank indebtedness as at July 31, 1979 was comprised of a $15,000,000 (Canadian) income debenture and a $24,000,000 (U.S.) income debenture. No additional debt financing is anticipated at the present time.

Working capital increased to $16,676,000 from $6,505,000; a direct result of the issuance during the year under review of the $24,000,000 (U.S.) income debenture. This will enable the Company to handle its anticipated development projects into the near future and carry out an increased land acquisition and exploratory program.

Capital expenditures, related to petroleum and natural gas properties, totalled $18,332,000, an increase of $3,517,000 over the comparative period of July 31, 1978. Of this amount $8,910,000 was spent in Canada, of which $730,000 was allocated to exploration and $9,422,261 expended in the United States with $2,040,000 allocated to exploration.

The Company has made numerous assignments of oil and gas rights to the Prodeco Drilling Fund Partnerships. The proceeds from the assignment of these properties, arising out of future production totalling $67,669,224 plus interest thereon, will be reflected in the Financial Statements as received.

Coseka Resources Limited

(Under the Companies Act, British Columbia)

Consolidated Statement of Financial Position

As at July 31, 1979
(With Prior Year's Figures for Comparison)
($ 000)

	1979	1978
NET ASSETS		
CURRENT ASSETS		
Cash and Short-Term Deposits	$11,793	$ 3,783
Accounts Receivable	14,924	11,907
Marketable Securities — at Cost (Market Value 1979 $417, 1978 $157)	29	81
Other	417	267
Total Current Assets	27,163	16,038
CURRENT LIABILITIES		
Accounts Payable and Accrued Liabilities	10,487	9,076
Current Portion of Long-Term Debt	—	457
Total Current Liabilities	10,487	9,533
WORKING CAPITAL	16,676	6,505
INVESTMENTS — at Cost or Nominal Value as Appropriate	789	3,120
PROPERTY, PLANT AND EQUIPMENT (Notes 1 and 2)	71,124	54,667
OTHER ASSETS	95	294
	88,684	64,586
DEDUCT		
Long-Term Debt (Note 3)	42,923	26,495
Deferred Income Taxes (Note 4)	8,520	5,327
Minority Interest	608	293
Deferred Income	533	176
	52,584	32,291
Net Assets	$36,100	$32,295
SOURCE OF NET ASSETS		
SHAREHOLDERS' EQUITY		
Share Capital (Notes 5 and 6)	$22,323	$22,123
Contributed Surplus	88	88
Retained Earnings	13,689	10,084
Total Shareholders' Equity	$36,100	$32,295

Approved by the Board:

Director   Director

The accompanying notes are an integral part of the consolidated financial statements.

Coseka Resources Limited

Consolidated Statement of Retained Earnings

For the Year Ended July 31, 1979
(With Prior Year's Figures for Comparison)
($ 000)

	1979	1978
RETAINED EARNINGS AT BEGINNING OF THE YEAR	$10,084	$ 6,710
NET INCOME FOR THE YEAR	3,620	3,489
COST WRITTEN OFF ON ABANDONED MINERAL PROPERTIES — Net of Minority Interest (1979, $5; 1978, $36)	(15)	(115)
RETAINED EARNINGS AT END OF THE YEAR	$13,689	$10,084

The accompanying notes are an integral part of the consolidated financial statements

Coseka Resources Limited

Consolidated Statement of Income

For the Year Ended July 31, 1979
(With Prior Year's Figures for Comparison)
($ 000)

	1979	1978
INCOME		
Sales	$15,795	$12,665
Royalties	3,821	3,467
Income Net of Royalties	11,974	9,198
EXPENSES — (Excluding Depletion, Depreciation, and Amortization)		
Operating	2,076	1,824
Administrative	267	265
Interest — Net	1,809	965
Total Expenses	4,152	3,054
FUNDS GENERATED BY OPERATIONS	7,822	6,144
Depletion, Depreciation, and Amortization	1,818	1,240
	6,004	4,904
PROVISION FOR (RECOVERY OF) INCOME TAXES (Note 4)		
Deferred	3,150	2,019
Current	(499)	(545)
Provision for Income Taxes	2,651	1,474
INCOME BEFORE EXTRAORDINARY ITEMS AND MINORITY INTEREST	3,353	3,430
EXTRAORDINARY ITEMS		
Gain on Sale of Marketable Securities, Land and Buildings — Net of Deferred Income Taxes (1979, $36; 1978, $20)	108	72
Gain on Issuance of Shares by Subsidiary Company	197	—
	305	72
INCOME BEFORE MINORITY INTEREST	3,658	3,502
MINORITY INTEREST	38	13
NET INCOME FOR THE YEAR	$ 3,620	$ 3,489
BASIC EARNINGS PER SHARE (Note 7)		
Before Extraordinary Items	31.1¢	36.8¢
Net Income for the Year	35.7¢	37.4¢

The accompanying notes are an integral part of the consolidated financial statements.

Coseka Resources Limited

Consolidated Statement of Changes in Financial Position

For the Year Ended July 31, 1979
(With Prior Year's Figures for Comparison)
($ 000)

	1979	1978
FUNDS PROVIDED:		
Generated by Operations	$ 7,822	$ 6,144
Bank Loans and Income Debentures	27,923	18,405
Issuance of Common Shares on Conversion of Long-Term Debt	—	3,500
Issuance of Common Shares for Cash (including in 1979 $478 issued by a subsidiary)	678	43
Provincial Royalty Tax Credit	499	545
Increase in Deferred Income	357	176
Proceeds from Sale of Marketable Securities, Land and Buildings	3,144	157
Recovery of Costs of Abandoned Mineral Properties	—	89
Other	116	—
Total	$40,539	$29,059
FUNDS APPLIED:		
Expenditures on Property, Plant and Equipment	$18,332	$14,815
Principal Repayments of Bank and Production Loans	11,495	1,098
Conversion of Long-Term Debt	—	3,500
Increase in Other Investments	90	3,016
Investments and Advances to Related Companies	428	—
Write-Off of Abandoned Mineral Properties	20	—
Other	3	—
Total	$30,368	$22,429
INCREASE IN WORKING CAPITAL FOR THE YEAR	$10,171	$ 6,630
WORKING CAPITAL (DEFICIENCY) AT BEGINNING OF THE YEAR	6,505	(125)
WORKING CAPITAL AT END OF THE YEAR	$16,676	$ 6,505

The accompanying notes are an integral part of the consolidated financial statements.

Coseka Resources Limited

Notes To The Consolidated Financial Statements

July 31, 1979

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

(a) Principles of Consolidation:

The consolidated financial statements include the accounts of the following subsidiaries since their respective dates of acquisition or formation:

Coseka Resources (U.S.A.) Limited	—	100.0%	owned
Taiga Resources Limited	—	100.0%	owned
Wharf Resources Ltd.	—	67.2%	owned

There are other subsidiaries which are inactive and are carried at nominal value.

(b) Petroleum and Natural Gas Properties:

The Company follows the full cost method of accounting for petroleum and natural gas properties whereby all costs, including a portion of administrative expenses, relating to the exploration for and development of oil and natural gas reserves are capitalized. For the year ended July 31, 1979, administrative and interest expenses aggregating $2,346,000 (1978 — $1,103,000) were capitalized. Proceeds received from disposal of properties are credited against accumulated costs. Depletion and depreciation of net costs are provided for by the unit-of-production method based on the Company's estimated recoverable reserves for each of two cost pools, Canada and the United States. Substantially all of the activities of the Company are carried out through joint ventures.

(c) Mineral Properties:

The Company follows the practice of capitalizing all costs, including a portion of administrative expenses (administrative expenses of $51,000 capitalized during the year (1978 — $39,000)), relating to the exploration for and development of mineral properties and crediting all sales and option payments received against the costs of related properties. The Company considers the mining exploration and development activities of its subsidiary to be a separate business from its activities in the petroleum and natural gas industry. The aggregate of the costs related to mineral properties abandoned is charged to retained earnings at the time of abandonment.

(d) Other Property and Equipment:

Other property and equipment are recorded at cost. Office fixtures and equipment and automotive equipment are depreciated using the straight-line method at rates varying from 20 to 50 percent commencing in the month of acquisition. Leasehold improvements are amortized over the terms of the leases.

(e) Translation of Foreign Currencies:

Accounts maintained in foreign currencies have been translated into Canadian funds on the following bases:

Current Assets and Liabilities and Long-Term Debt	—	at the year-end rate
Non-Current Assets and Liabilities except Long-Term Debt	—	at the rate at the time of acquisition or incurrence
Income and Expenses	—	at the average monthly rate

As the proceeds from long-term debt have been used to acquire and develop petroleum and natural gas properties, any unrealized exchange gain or loss is allocated to property, plant, and equipment.

2. PROPERTY, PLANT, AND EQUIPMENT:

The balance is comprised of the following:

	Carrying Values (Note 1)	Accumulated Depletion, Depreciation and Amortization
Petroleum and Natural Gas Properties and Production Facilities	$74,354,000	$4,529,000
Mineral Properties	779,000	—
Other Property and Equipment	689,000	169,000
Total	$75,822,000	$4,698,000

3. LONG-TERM DEBT:

Long-term debt comprises:

	1979	1978
Bank Income Debenture — bearing interest at half of the sum of bank prime rate plus 2 percent, payable in quarterly instalments of principal of $536,000 commencing February 1, 1981 with a final instalment of $528,000 payable on November 1, 1987. The debenture is secured by an assignment of the Company's interest in certain Canadian gas properties	$15,000,000	$15,000,000
Term Bank Loans	—	$11,952,000
Bank Income Debenture — bearing interest at half of the sum of the U.S. base rate plus 2 percent, payable in quarterly instalments of principal of U.S. $857,000 commencing February 1, 1982 with a final instalment of U.S. $861,000 payable on November 1, 1988. The debenture is secured by an assignment of the Company's interest in certain Canadian and U.S. oil and gas properties	$27,923,000	—
	$42,923,000	$26,952,000
Less: Current Portion	—	457,000
Net Long-Term Debt	$42,923,000	$26,495,000

Annual principal repayments of long-term debt over the next five years are:

	Canadian $ Debt	United States $ Debt (in U.S. $)
1980	—	—
1981	$1,072,000	—
1982	2,144,000	$1,714,000
1983	2,144,000	3,428,000
1984	2,144,000	3,428,000

Interest on long-term debt and debenture financing costs amortized during the year ended July 31, 1979 totalled $3,204,000 (1978 — $1,481,000) of which $351,000 (1978 — $476,000) was capitalized as part of petroleum and natural gas properties and $2,853,000 (1978 — $1,005,000) was charged to operations.

4. INCOME TAXES:

No income taxes are payable for the year ended July 31, 1979.

Deferred income taxes result from timing differences in the recognition of income and expenses for income tax and financial statement purposes. The source of these differences is as follows:

	1979	1978
Exploration and Development Expenditures Deducted for Income Tax Purposes in Excess of Book Depletion	$2,945,000	$1,693,000
Capital Cost Allowance Deducted for Income Tax Purposes in Excess of Depreciation	217,000	229,000
Other	(12,000)	96,000
	$3,150,000	$2,018,000

Total income tax expense was $2,651,000 (1978 — $1,474,000), an effective rate of 44 percent (1978 — 30 percent) on earnings before income tax. The income tax expense varies from the amount that would be computed by applying the combined Federal, Provincial, and State tax rates to earnings before income taxes for the following reasons:

	1979		1978	
	Amount	Percentage of Pre-Tax Earnings	Amount	Percentage of Pre-Tax Earnings
Computed Income Tax Expense	$2,822,000	47	$2,285,000	47
Increase (Decrease) in Income Taxes Resulting from:				
Non-Deductible Royalties and Other Expenses, less Federal Resource Allowance	133,000	2	288,000	6
Provincial Royalty Tax Credit	(499,000)	(8)	(545,000)	(11)
Income Tax Depletion	(952,000)	(16)	(633,000)	(13)
Non-Deductible Income Debenture Interest	1,025,000	17	—	—
Other	122,000	2	79,000	1
Income Tax Expense	$2,651,000	44	$1,474,000	30

At July 31, 1979 unclaimed capital cost allowances and unclaimed exploration and development expenditures amounted to approximately $18,900,000. These amounts are available to be applied against future taxable incomes. In addition, unclaimed earned depletion amounted to approximately $7,300,000 which may be claimed against future taxable incomes at a rate of 25 percent of production profits.

For United States income tax purposes, at July 31, 1979, unclaimed statutory depletion amounted to approximately $440,000 which may be claimed against future taxable incomes at rates not exceeding 65 percent of production profits. In addition, United States tax losses available to reduce future taxable incomes amounted to approximately $9,728,000, expiring as follows:

1983	$1,306,000
1984	1,226,000
1985	3,755,000
1986	3,441,000
	$9,728,000

5. SHARE CAPITAL:

Details of share capital are as follows:

Authorized — 15,000,000 common shares of no par value

Issued and Fully Paid Common Shares:

	Shares	Amount
Balance, July 31, 1978	10,100,955	$22,123,000
Issued Under Employee Stock Option Plan (Note 6)	62,500	200,000
Balance, July 31, 1979	10,163,455	$22,323,000

A former debenture holder has the right of first refusal to acquire any shares issued until August 1, 1982.

6. STOCK OPTIONS:

At July 31, 1979, 304,000 (1978 — 216,500) common shares were reserved for options to employees and officers on which the expiry date and option price for 121,000 of such common shares have yet to be determined. Of the remaining 183,000 shares, the options are exercisable 20 percent at the date of granting the option and 20 percent on each of the following four anniversary dates, with cumulative rights to acquire in subsequent years shares not acquired during the previous years. The options are subject to restrictions relating to the optionee's employment with the Company. During the year, options in respect of 165,000 additional shares were granted, and options in respect of 62,500 shares were exercised. At July 31, 1979, the following options were outstanding:

Date Expires	Number of Shares	Price
January 26, 1981	5,000	$2.63
December 13, 1981	10,000	3.29
August 4, 1982	23,000	5.51
August 14, 1983	75,000	5.51
February 2, 1984	30,000	6.48
April 2, 1984	40,000	8.21
	183,000	

7. EARNINGS PER SHARE:

Basic earnings per share of 35.7¢ (1978 — 37.4¢) are calculated on the basis of the daily weighted average number of shares outstanding during the year.

Fully diluted earnings per share are not significantly different from basic earnings per share.

8. SUBSEQUENT EVENT:

Agreement has been reached with Wharf Resources Ltd. whereby Wharf will purchase the shares of two subsidiaries of Taiga Resources Limited, held by that company, for $551,000. Settlement of the purchase price will be by way of 734,666 shares to be issued by Wharf subject to the receipt by regulatory authorities of evidence of required expenditures on the properties.

On July 5, 1979, a third party exercised its option to purchase after completion of the transaction described above, one half of the Company's shareholdings in Wharf Resources Ltd. for a total consideration of $702,000. Such consideration bears interest at 10 percent and is payable in three quarterly instalments of $234,000 plus interest commencing October 12, 1979. Coincident with each of the three payments, one-third of the Wharf Resources Ltd. shares will be released to the purchaser. Default on any of the payments will result in termination of the agreement.

9. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS:

The aggregate remuneration, including benefits and deemed benefits, paid or payable by the Company to directors and senior officers, as defined in the Companies Act, British Columbia, amounted to $477,000 (1978 — $358,000). Such aggregate remuneration for 1979 includes payments made under an employee profit sharing plan amounting to $42,000 (1978 — $19,000).

Auditor's Report

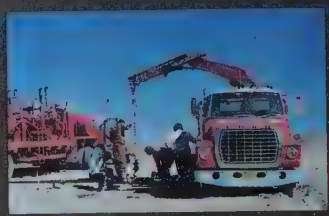
To the Shareholders of
Coseka Resources Limited

We have examined the consolidated statement of financial position of Coseka Resources Limited as at July 31, 1979 and the consolidated statements of income, retained earnings, and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at July 31, 1979 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

DELOITTE, HASKINS & SELLS
Auditors

Calgary, Alberta
September 28, 1979



COSEKA

1979

Coseka Resources Limited

Directors

ROBERT A. BOULWARE
Canadian Natural Resources Limited
4th Floor
300 - 5th Avenue S.W.
Calgary, Alberta
T2P 3C4

PETER R. KUTNEY**
Coseka Resources Limited
5th Floor
300 - 5th Avenue S.W.
Calgary, Alberta
T2P 3C4

WILLIAM H. McLALLEN, JR.*
Capilano Timber Co. Ltd.
P.O. Box 130
New Westminster, B.C.
V3L 4Y4

NORBERT M. PETERS*
Brinco Limited
10th Floor
20 King Street West
Toronto, Ontario
M5H 1C4

BRYAN J. REYNOLDS**
Bethlehem Copper Corporation
Suite 2100
1055 West Hastings Street
Vancouver, B.C.
V6E 2H8

HUGH R. SNYDER**
Brinco Limited
10th Floor
20 King Street West
Toronto, Ontario
M5H 1C4

JAMES D. TOCHER**
Consultant
8928 Bayridge Drive S.W.
Calgary, Alberta
T2V 3M8

Officers

BRYAN J. REYNOLDS
Chairman of the Board

PETER R. KUTNEY
President & Chief Executive Officer

LLOYD D. DRISCOLL
Vice President Operations

FRED J. BIRKS
Vice President of Land and Corporate Secretary

HARTLEY S. MILLER
Vice President Exploration

WILLIAM J. MACINTOSH*
Treasurer

TONI PHILLIPS
Assistant Secretary

Member of ** Executive Committee
* Audit Committee

REGISTERED OFFICE

2500 Three Bentall Centre
P.O. Box 49200
595 Burrard Street
Vancouver, B.C.
V7X 1L1

EXECUTIVE HEAD OFFICE

Fifth Floor
300 - 5th Avenue S.W.
Calgary, Alberta
T2P 3C4

TRANSFER AGENT AND REGISTRAR

Guaranty Trust Company of Canada
800 West Pender Street
Vancouver, B.C.
V6C 2V7

88 University Avenue
Toronto, Ontario
M5H 2W5

AUDITORS

Deloitte Haskins & Sells
700, 202 - 6th Avenue S.W.
Calgary, Alberta
T2P 2R9

BANKERS

The Royal Bank of Canada
Main Branch
339 - 8th Avenue S.W.
Calgary, Alberta
T2P 2N4

SOLICITORS

Lawrence & Shaw
2500 Three Bentall Centre
P.O. Box 49200
595 Burrard Street
Vancouver, B.C.
V7X 1L7

McLaws & Company
407 - 8th Avenue S.W.
Calgary, Alberta
T2P 1E6

SHARES LISTED

Oil Section
—Toronto Stock Exchange
—Vancouver Stock Exchange

THE ANNUAL MEETING

The annual general meeting of Shareholders of Coseka Resources Limited will be held at the Bayshore Inn, Vancouver, B.C., at 11:30 a.m., on November 6, 1979.

Copies of the Company's 1978 Annual Report may be obtained by contacting the office of the Secretary of the Company at Coseka Resources Limited, Fifth Floor, 300 - 5 Avenue S.W., Calgary, Alberta T2P 3C4.

Coseka Resources (U.S.A.) Limited (Wholly Owned Subsidiary)

Directors

BRYAN J. REYNOLDS
Bethlehem Copper Corporation
Suite 2100
1055 West Hastings Street
Vancouver, B.C.
V6E 2H8

ROBERT A. BOULWARE
Canadian Natural Resources Limited
4th Floor
300 - 5th Avenue S.W.
Calgary, Alberta
T2P 3C4

PETER R. KUTNEY
Coseka Resources Limited
5th Floor
300 - 5th Avenue S.W.
Calgary, Alberta
T2P 3C4

JAMES D. TOCHER
Consultant
8928 Bayridge Drive S.W.
Calgary, Alberta
T2V 3M8

JERALD L. OAKS
Coseka Resources (U.S.A.) Limited
Suite 630, 718 - 17th Street
Denver, Colorado 80202

Officers

BRYAN J. REYNOLDS
Chairman of the Board

JERALD L. OAKS
President

LLOYD D. DRISCOLL
Vice President

FRED J. BIRKS
Vice President and Corporate Secretary

WILLIAM J. MACINTOSH
Treasurer

SARA LITTLE & TONI PHILLIPS
Assistant Secretaries

BUSINESS OFFICE

Coseka Resources (U.S.A.) Limited
Suite 630, 718 - 17th Street
Denver, Colorado 80202

BANKERS

Royal Bank of Canada
San Francisco Agency
560 California Street
San Francisco, California 94104

Bank of Montreal
425 California Street
San Francisco, California 94104

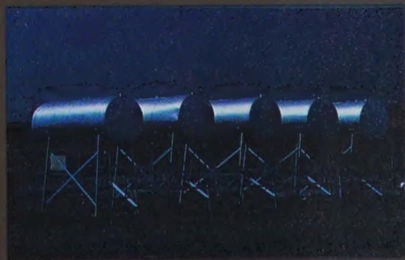
AUDITORS

Deloitte Haskins & Sells
700, 202 - 6th Avenue S.W.
Calgary, Alberta
T2P 2R9

ATTORNEYS

Fishman, Gengler & Gemen
Suite 2500
First National Bank Bldg.
Denver, Colorado 80293

The Cover
The beautiful scenery of Coleman-Carbondale



Design, layout and photography by Walter Petrigo,
Petrigo of Canada Ltd.